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NATIONAL POLICY AND THE POST-INDUSTRIAL CITY: AN INTERNATIONAL PERSPECTIVE

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NATIONAL POLICY AND THE POST-INDUSTRIAL CITY: AN INTERNATIONAL PERSPECTIVE

INTRODUCTION

The International Conference on National Policy and the Post-Industrial City was held as the first step in an inquiry by the Committee on National Urban Policy into the relationships among national economic policy, policies concerned with urban or regional conditions, and policies that address particular industries or sectors of the economy. The committee felt that in understanding the implications of these relationships for American policy, it would be useful to examine the experience and ideas from other advanced industrial nations. The conference brought together scholars and practitioners from several countries with members of the committee, public officials, and industry and labor representatives.

Each European participant in the conference was asked to consider a set of common questions concerning the above issues and to be prepared to discuss them at the conference. Each prepared a short "talking paper" that set out ideas to be advanced, either in response to the questions or based on knowledge and experience.* The views expressed are those of the conferees and do not necessarily reflect those of their governments or the position of the committee. The committee believes, however, that the views and information shared at the conference are of considerable public interest in the discussion of the future course of urban policy in the United States.

*The questions and the preliminary talking papers prepared by participants are contained in the Appendix.

A number of general observations that are important to the work of the committee can be drawn from the conference. The European countries, far more than the United States, have experimented with various kinds of regional policies. In general, urban policies were subordinated to these regional policies. All countries are now concerned with the role that their urban areas may play in an economy that is feeling the effects of the rapid transition from heavy reliance on manufacturing employment to one in which services play a larger role. Uncertainty about outcomes, however, has shifted the emphasis in urban policy away from the environmental and physical issues that dominated urban policy some years ago to a concern with such issues as the stimulation of innovation and concern for labor redundancies in economically declining cities and regions. The same uncertainty encourages support for more local, small-scale, private, experimental, and incremental approaches as opposed to centralized national grand strategies. In all of the countries represented (France, the Federal Republic of Germany, the Netherlands, Sweden, United Kingdom, and the United States) there has been a marked shift away from "steering" economic development. While steering is not totally absent from current policy, there has been an increasing emphasis on incentive systems.

The shift toward incentives has been accompanied by increased reliance on strategies of negotiation and recognition of the need for consultation among levels of government and with the private sector. This seems the case to some degree in each country, although each started from a different point in its internal policies, some countries having shifted politically to the right, others to the left. This rethinking of old urban policy assumptions does not appear to be completed.

Intergovernmental revenue systems appear to be the most critical policy instrument for facilitating adjustment of cities to changed economic circumstances. Countries such as the United States and the United Kingdom, whose cities depend to a substantial extent on local property taxes to finance services, seem to have more difficulty in dealing with urban problems than those in which broad interjurisdictional revenue sources, such income taxes, are shared among the levels of government (as in the Federal Republic of Germany) or where the central government or an intermediate level of government directly finances major functions, such as education (as in France).

the urban and industrial policies of unitary governments and federal governments. Unitary governments are more likely to intervene through explicit policies, although there has been a decline in recent years in the perceived effectiveness of direct measures.

There seemed to be consensus among the participants that the costs of economic distress in particular regions will not be confined to those regions but will show up elsewhere in national economic or fiscal accounts of the national government. The public sector in the modern state consists of all who work for the government plus all who are unemployed. Structural unemployment and regional economic decline generate public costs. In a centralized state this is recognized explicitly as a national cost; in a federal state part of the cost may fall unevenly on those intermediate units of government where the declining sectors are concentrated.

SUMMARY OF THE DISCUSSION*

The Shift from Steering to Incentives

In opening the conference, Gail Schwartz described the committee's concern that explicit policies designed to address urban problems often seemed to be overwhelmed by other policies, including macroeconomic policies. However, in part because the United States is such a large and diverse nation, national fiscal, monetary, income, and employment policies do not seem sufficient to deal with the problems caused by rapid change in economic conditions and the locational needs of firms.

Schwartz noted that the committee believes that there should be a greater recognition of the interdependencies between economic policy and urban conditions. To date, little of the systematic research needed to expose and explain this relationship has been completed. Nevertheless, there is ample evidence from the advanced industrialized countries that structural changes in their economies affect some urbanized areas more harshly than

*This summary does not always correspond to the sequence of the roundtable discussion. Some comments were reorganized to group similar ideas.

on the money supply, do not necessarily help, and may harm, those who have never been employed, have no unemployment benefits, or for whom labor market barriers normally exist. It is a matter of considerable debate whether supplements or alternatives to monetary policy--i.e., fiscal and incomes policies--can offset the negative impact on urban areas and, if so, how it can be done. There is also considerable debate as to whether macroeconomic policies should be supplemented by "targeted" urban or regional policies or "targeted" financial strategies for small firms, particular industries, or labor groups. There is further dispute over which level of government--central, intermediate, or local--should be responsible for the different types of microeconomic policies.

Reviewing the recent history of urban policy development in the United States, Schwartz pointed out that there is a wide range of opinions. "What will be, will be" is at one extreme--the belief that the results of a hypothetically free market are "best" and inevitable. Logically there is another extreme (represented by only a few voices in the United States)--that planning for industrial growth is an appropriate governmental function and that such planning should include consideration of the geographical impact of policies. In between these two extremes is the realm of feasible action involving three key parties: business, labor, and government.

Schwartz asked the European participants to summarize their countries' industry-specific policies, to discuss how they are coordinated with urban and regional development policies, and to describe the process by which they are developed. In their responses, the European participants summarized the various responses and approaches used in their countries. Noting that the Federal Republic of Germany has developed a specific set of policies for the coal industry, which incidentally was regionally concentrated in the Ruhr area, Hans Pflaumer felt that his country had been successful in preserving an important sector of its economy. He argued that a government should not just look on and let a declining industry fall rapidly; it should be allowed to fall slowly if at all.

The Federal Republic's constitution admonishes the national government to support regional economic development. The objective has been to preserve or create jobs in "remote" regions--particularly the eastern part of the

however, is not targeted to cities as such but to an "entitled" region. It has not accomplished a lot but has stabilized employment in the region. The effect has been positive, but the program is costly. As unemployment grows, large areas become eligible for help. Pflaumer felt that, on balance, the program should continue.

In general, the national government's judgment of how much it can do has changed. There has been a substantial shift from the belief in direct intervention to offering incentives and a sense of direction to see that policy emerges, both as to the urban sector and the economic sector. But these policies do not always emerge at the national level; urban policies often emerge at the local level. The national government is moving away from a steering philosophy to an incentive philosophy.

Picking up this theme, Ian Dawson commented that throughout the Atlantic community, urban policies are being challenged because of the continuing disparity among cities. Because of the extreme diversity among cities, there has to be a strong local component to policy--a grassroots element. National policy consisting of global objectives and nationwide strategies is in disrepute in the face of the intractability of urban problems.

Every country, Dawson argued, has policies that benefit specific industries, whether they are explicit or implicit. The questions that need to be asked are whether these policies can also seek to serve urban objectives. He felt that to justify industrial and labor market policies in behalf of spatial objectives presented a major challenge. He saw no consensus that industrial policy should generate a fiscal surplus to solve urban problems; rather, there was a growing laissez-faire attitude.

The Canadian national government has moved away from explicit policies, Dawson said, but retains a well-developed regional policy. General development agreements have been reached with each province; their coverage is concentrated in the eastern provinces and a few depressed areas of central and western Canada. Basically, these agreements provide planning frameworks to guide public-sector investment, obviously with the objective of guiding private investment as well. Any move by the national government toward more localized economic development policies generates a problem for national-local relations. However, the significance of the policies aimed explicitly

trial strategies (in the field of energy, for example which may in fact favor wealthier regions.

Gusta Oscarsson, in discussing Sweden's industrial policies divided them into two categories: planned a unplanned. Planned industrial policy is not very sig cant in its relationship to regions or urban areas. consists largely of technological development assist and aid to small business. It is not place-specific. The unplanned policies involve much more money as wel measures to prop up specific troubled industries, suc textiles, steel, and shipbuilding. These policies ar very sensitive to urban and regional problems. They however, be characterized as policies of "non-positiv adjustment," postponing inevitable adjustments to str tural changes.

Oscarsson argued that no government has come up wi solution to the new regional problems resulting from structural changes in the economy. The tendency to s local and regional initiatives mentioned by Dawson po a dilemma. The problems of structural change are lar scale, but we are pointing toward small-scale, local initiatives. These initiatives are commensurate with problems with which nations must cope. Unplanned pol occurs when local economic bases disappear--a result politicians cannot accept. Their reaction is "forced policy in response to an unanticipated crisis. Such policy, in turn, does not anticipate its own conseque and in the long run has negative effects on the natio budget because failure to promote positive adjustment results in need for more non-positive adjustment. Th costs of localized economic distress will show up one or another elsewhere in national accounts and in the national budget. For the modern welfare state, Oscar suggested a new definition of the public sector: tho employed by government plus those who are unemployed. The employed and the unemployed are the same from the viewpoint of the budget and, together with their consequences as "urban problems," make up the unplanned portion of the budget. As Oscarsson said:

> One of the basic messages that analysts of urban and regional policies should press on the politicians is the knowledge that they could seriously damage the national budget by cutting down on development efforts directed toward urban

measures, they will get the costs one way or another in other parts of the budget. . . . The public sector in a welfare state consists of those people who are employed in the public sector and all those who are unemployed. From the point of view of the national budget they are the same.

The Netherlands has no specific industrial policy. A special scientific council of government is currently attempting to advise the government on how to stabilize Dutch industry. According to Dirk Hazelhoff, there has been no planned coordination of industrial and regional policies. This is not because industrial enhancement policies are unnecessary, but because the issues are so critical that no consensus has yet been reached. Depending on exports for over 40 percent of its gross national product, the Netherlands economy is very vulnerable to international competition. Regional policy has concentrated on development of the eastern and northern parts of the country, which are poorer than the other regions, and has traditionally been heavily oriented toward physical planning instead of economic planning. There is a national law, called the Selective Investment Regulation System, that restricts development through a regulation and permit system on the basis of its impact on the human environment.

As in the other countries, France seems to have no general philosophy of industrial development. Remy Prud'homme felt that it might even violate the rules of the European Economic Community to interfere with private enterprise. He also noted that it is harder to have an industrial policy for a service economy than for one based on manufacturing.

The French national plan was characterized not as a central scheme for the economy but rather as a "meeting place" for government, business, and unions to discuss what could happen. The resulting document is not binding but provides an effective mechanism for cooperation. While France's socialist government may make some changes, there is no tendency toward complete intervention.

Since various parts of the French economy are nationalized, the intervention that occurs is often direct. Energy industries tend to be entirely planned. Although half the French automobile industry is nationalized, no serious policy addressing it exists. There is a general feeling that the government cannot allow unemployment in

and textiles.

The major instruments of French urban and regional policies are (1) subsidies for investment in designated areas; (2) provision of infrastructure and public services, and (3) most importantly (but probably unintended), the national budget redistributes resources to poorer areas, since many services (such as education) are provided to all areas directly by the national government on the basis of uniform standards.

In describing the situation in the United Kingdom, Peter Hall pursued the same "negative note" taken by others about the ineffectiveness of industrial policies. He characterized British industrial policy as bailing out ailing industries and noted the curious fact that the government has paid little or no attention to such innovative growth industries as electronics, bioengineering, and robotics or to the location of innovative industry in cities. Hall felt that the first focus of the Thatcher government on urban and regional policy had compounded the problems of exceptional industrial decline in Britain. There is still little attention to newer industries and to research. The government faces a central paradox: the more it cuts expenditures, the more its welfare costs increase (the point made by Oscarsson.)

Bertrand Renaud offered a different perspective on the industrial-regional relationship by referring to developing countries, pointing out that they often experience growth in the same sectors in which the older industrialized nations are experiencing decline. Some regions in the developing countries still need to be integrated into national life. Mexico, for example, found that it could not have an urban policy without an industrial policy.

Places, People, or Sectors

In the discussion that followed these introductory observations by the European experts, the conferees focused on the appropriate role of government in the stimulation of regional growth and whether public policy ought to be more concerned with places (cities or regions), people, or economic sectors. Schwartz pointed out that the changing economic base makes policy more difficult to define and to execute. The growth of some parts of the service sector raises difficult problems for older cities in adjusting to the need for a different

location. The issue was raised of whether national or local governments had primary responsibility for equalizing income or preparing the labor force for the work world of the future. Brian Berry challenged the premise behind this statement of issues as presupposing the idea of an affirmative state.

Hall pointed out that the growth of the mainstream economy was selective in its urban locations. Larger metropolitan areas have slowed their rates of growth, while smaller areas are growing more rapidly. Schwartz said that the growing areas also appear to have more diversified economies, and this factor seems more important than age or size. Thus, it would seem that national economic growth alone would not be enough to solve urban problems.

Clearly, as Frank Schiff stated, the character of the new and growing industries would affect the degree of centralization of cities. Also, the labor force must adapt to the nature of the new jobs. Neither traditional "place" nor "people" policies adequately address these major changes. There is need for understanding the idea of "flexi-place" in urban economic development, i.e., much greater flexibility in the place of work. Therefore, there is also a great need for an integrated approach to education and job training that involves the growing sectors of private enterprise with the education system. In a changing economy, the quality of the work force is a crucial factor. Prud'homme reported that the Japanese think that the low quality of the U.S. labor force is the main obstacle in transferring new industrial technology to the United States.

Schiff agreed that in many cases people should be encouraged to move to find better economic opportunities, but that it is important to recognize that the existing infrastructure could be a valuable asset and could aid reinvestment for new kinds of industry and jobs because reproduction of that infrastruture could be costly for newly developing areas. He pointed to the rise of high technology and other new industries in the Boston area as evidence that a region can hold its own, even when old basic industries move or decline. Reviving or keeping a city alive, he said, is not just a question of money. It is very important to actively involve the business community and to develop a definite plan or strategy of action.

Such a strategy seemed all the more important in light of Roger Ahlbrandt's observation that there is not a lot

depends heavily on the extent of economic growth.

The shift to services does not necessarily mean an abandonment of manufacturing. Both Hall and Renaud said that the service sector expanded most rapidly in the activities that were intermediate inputs to the production of goods and that western economies are still goods oriented. Underscoring this point, Walter Johnson reported that the composition of IBM's manufacturing and supplier work force had undergone a major metamorphosis. He estimated that 20 to 30 years ago, about 30 percent of these manufacturing employees were in services; today, the proportion of these manufacturing employees engaged in high technology and chemical process support services is near 70 percent. It is not uncommon for the majority of workers in modern plants to be in support services, rather than direct labor input. But a "service," such as computer programming, may be an essential part of goods production.

In the post-industrial city, Hall felt that residential services will have to be close to consumers but, agreeing with Schiff, nonresidential services need not be. The strategic problem, he urged, was to invest in those services, such as research and development, that accelerate the invention and production of new goods and, thus, create jobs.

The importance of this was emphasized by Oscarsson, who estimated that employment in manufacturing in advanced countries could shrink to 5 percent, but a national economy could still be heavily based on manufacturing. Sweden's economy has changed from one based heavily on manufacturing to one where less than 25 percent of the labor force is employed in manufacturing. But such a structural change demands policies that make it possible for this sector to support the rest of the economy. What happens to industry is important in what happens to regions.

This suggests a need for different policies for different regions, said Renaud. As Horst Zimmerman observed, the focus of such policy was on a relatively small set of problems--primarily the industries and cities that were in such decline that they sought some form of bailout. Cities with concentrations of high services (corporate headquarters, banking, law, etc.) do not particularly need help. The question is what to do with the old manufacturing cities. Is it possible to introduce the high services into the old cities? If not, what could be done?

happen if we concluded that cities were no longer necessary, but that we cannot completely abandon them?" Post-industrialism provides a perspective on these questions. When a place is in need, the political system demands that it be helped. The problem is to provide for help as reasonably as possible. Policies get contaminated, however, by the public obsession with cities as a prerequisite to urban life. But to have an urban lifestyle, it is no longer necessary to live in a city. The advantages of urban life can now be found almost anywhere in the Federal Republic of Germany. Location is important because we have made it important and because, as Robin Widgery added, the economic well-being of most U.S. cities is tied to their tax bases.

Pflaumer suggested that many governments seem to be willing to talk about changing the whole world to avoid changing the tax base. The urban tax system for many countries has become untouchable. Yet, despite efforts to revitilize old urban centers, people in both Europe and the United States continue to move to outer areas. Outcrys over the deaths of cities cannot prevent the movement of jobs, because these are basic trends and will continue so long as people find such action reasonable and economically advantageous. Policies are unlikely to stop the outmigration from city centers, just as they could not stop the inmigration two decades ago. Does it help, Pflaumer asked, to be obsessed with the physical boundaries of cities? The problem lies in the mobility of people, which brought the discussion back to the types of people needed for new economic activities. The urban question involves where these people are located and where the jobs will be. As Pflaumer said:

> You are talking about changing the whole world. Have you considered changing the tax base? This is the big difference between the situation in some European countries and the United States. For that reason outmigration is very important to an American city, but not very important to a German city.

In response, Widgery commented on the difficulties involved in a labor-mobility focus for policy. The cost of moving is high for some people. There is almost certain to be some local intervention at both ends of the stream that will impede mobility. Knowledge of the job

This is particularly the case for low-income families when the new location offers fewer social services. Finally, there is the problem of marketing skills.

Glen Watts decried the lack of any in-place programs to deal with either labor mobility or transition to new and higher skills. He said that the public education system does not prepare people for work life. As a result, there are great mismatches in the labor market--genuine shortages of workers for some kinds of jobs and surplus labor in other occupations. We have a bad labor information system. There is no national jobs bank, for instance, that workers and employers could use to match needs.

This discussion brought the conference to a sharper debate about the urban consequences of the trends that had been discussed and their implications for urban policy. Berry observed that urban policy has, historically, been beset with fadism. Policies shift, not on the basis of evaluation, but as the product of the political arena and the electoral cycle. There has been a tendency to adopt policies that are little more than sexy labels as panaceas for all ills. It is more important to be careful about policies toward either specific places or policies that relate to the whole broad process so as to understand their urban implications.

In this respect, Berry described how the Committee on National Urban Policy is trying to address urban policy in a particular framework, by looking at the consequences of growth and change. There are mainstream forces or processes that give rise to growth and development. The task of policy is to give people access to this mainstream. Such policies involve information, training, etc. It is important to recognize, however, that there are negative side effects to the work of the mainstream. These externalities produce backwaters--areas and groups left behind the dominant tendencies of the economy. It is important in the development of urban policies to distinguish between actions that support the mainstream and policies that are designed for those who are left behind. This calls for new partnerships between the public and private sectors in strategic planning and in thinking about and achieving new futures in a period of rapid technological change. The task of mainstream policy is to provide the maximum opportunity for people to be a part of the growth process. In dealing with the

is how to make it possible for those left behind to become effective participants in the mainstream and/or how to take compensatory action to ameliorate their problems.

As Prud'homme put it, in this framework a policy that stimulates growth of the gross national product (GNP) is a necessary but not a sufficient basis for urban policy. Growth is generated by adaptation, by innovation, and by a marketing and distribution system that works. Energy policy is also important, as is investment in human capital. The questions are: Who should make these investments? What kind of investments should be made? And where should they be made? The private sector may want to do more in dealing with the problems of the backwater, but it can't assume the whole responsibility. Whose resources do we throw at what?

Oscarsson argued that the government has to use all of the measures available to it, particularly in training workers and in stimulating new industries, or later it will have to do things it does not want to do. He felt that a flexible labor market, as a single policy, was not an alternative. If government refuses to intervene, it will simply have to pay the equivalent costs elsewhere, under different headings in the budget, such as crime control and health costs. Someone has to care about those left behind to avoid a costly multigenerational problem. At the regional level, Oscarsson pointed out, some people are always left behind, even though there is new life in the general national economy. There will still be a regional problem.

It was argued that the most fundamental problem is with people, not places as such. Particularly in terms of world markets, the most important investment is in knowledge and in the quality of the labor force. Also, there is the danger of making the same old mistake of reinvesting in old industries if the focus of policy is on places. On the other hand, mobility of the labor force is not an unqualified benefit. Migrants leave severe problems behind them that must be addressed. Most European countries, for instance, initiated their policies on regionalism from a desire to subsidize and steer migration. Most of these policies have since been reversed. They now seem to believe it is less costly to put jobs where the people are already living.

In illustration of this change, Hazelhoff recounted the Dutch experience, in which they tried to develop

were created. Now, due to technological and market changes, these same industries are closing shop and people are returning to the West. The French also started with efforts to ease mobility, but in the 1 switched to regional policies promoting jobs where workers were already located. It is impossible to determine whether the GNP would have been greater h another approach been followed.

In Great Britain there have been two scales of migration: (1) long distance migration of industry which has been government assisted, and reasonably effective and (2) the new town program, which has b successful and has had strong political support. P and firms wanted to move. The movement was simply channeled by the government. That program has now ended by the government. The Conservative governme turning its attention to the inner city, where the problems are so visible they cannot be ignored in a highly centralized nation. The French have embrace enterprise zone idea because they must have an inne policy.*

Innovation and Urban Policy

Walter Johnson emphasized the importance of innovat stimulating economic growth and the need for it in ing the economy enough to deal with the problems of cities and people left behind. Noting that there h been, however, no policy that promoted the developm the computer, Johnson suggested that the next big i tion will not come from "urban policy." Tom Cochra however, that there are some profound urban dimensi scientific innovation. Older cities seem to have l

*Also see the paper in the Appendix by Anthony Stee was unable to attend the conference. Steen argues past government regulation and property acquisition been a major cause of central-city deterioration. argues for the sale of government land and housing private investors as a way of broadening economic o tunity in the city and stimulating reinvestment and creation.

aspect of urban policy is to figure out how to help cities regain that quality. Oscarsson said that regionally differentiated growth will continue, so the question must be what can governments do to encourage more growth in some areas: What practical, place-specific action should be taken?

Hall speculated on the connection between scientific research and urban development. He contrasted the stimulus to development that was provided by the research in innovation in California's "Silicon Valley" with the lack of similar development resulting from substantial British inventions. Little of that invention went into new British industry.

There was an extensive discussion about the premise that a legitimate element of urban policy is the encouragement of innovation. Schwartz, Widgery, Johnson, Watts, and Schiff argued the position that in order for urban economies to thrive there has to be a continuous process of innovation, adaptation, and development of new markets and that public-private "partnerships" to encourage this process can be as beneficial to urban areas as more direct forms of government intervention to support urban governments. Others felt that competition within the private sector should dictate which firms survived and where, while government should concern itself only with the residual problems that might result in certain communities or among certain groups.

John Rees saw the problem as one of mobilization of indigenous potential that might be stimulated by the location of research and development laboratories around the country. The experience in the Republic of Germany suggests that this is easier said than done. The idea of placing government institutes and offices where employment was needed resulted in only marginal changes, partly because very little actually happened. Part of the problem with attempts to equalize the distribution of income among regions through indirect investment strategies is that such measures take a long time to bear fruit. Governments still have to concentrate on urban policies for now. There is little chance, in West Germany or elsewhere, that living conditions throughout the country can be equalized in the full sense of the word. In some respects, the national government must be happy if jobs are created anywhere. However, the national government cannot allow dramatic disparities. It is, therefore, helpful to look at those political areas where problems

production and use of energy. Industry waits for the government; central governments wait for the localities. The West German national government launched an energy program that included demonstration projects, basic research, and urban and regional supply concepts. Its focus was on regions rather than industries.

Unlike the Japanese center for city science, the Europeans have not attempted to establish major centers of innovation. There is substantial doubt that a large city will necessarily provide a good environment for scientific research or that the establishment of a technopolis will infuse technical development into a backward region. Hall suggested that if economic development depends on innovation, government should not try to steer it to specific places. There is, at most, only a marginal advantage in one location over others. It would make more sense to target venture capital funds to specific industries, perhaps through tax remissions. Since the market does not work perfectly, however, it may be useful to maintain information on market opportunities at the national level. If innovation is the key to economic development, urban policy is not needed as much as an innovation-led industrial policy. This, however, has to be complimented by some sort of "safety net" for those who cannot migrate. As Hall said:

> Two key words have emerged [from the discussion]: migration and innovation. In a way they may be alternatives; in a way complementary. One school says there are certain forces changing the geography . . . and it would be best to allow them to happen and help people deal with the consequences, including helping those who can move to where the jobs are and providing a form of income support for those who can't leave. An alternative view is that innovation may be a clue to economic development. If so, you don't need an urban policy so much as an innovation-led industrial policy, which you modify to deal with specific urban problems.

James Sundquist disputed the view that any set of macroeconomic or industrial policies could be sufficient to constitute an urban policy as well, arguing that the latter concept should be applied to policies designed to

Gordon Clark interjected that the discussion of innovation and sectors had focused on the supply side of the economy but that consideration must also be given to the demand side. If real incomes erode, there will be no market for the new products. If demand declines, what is there to push more innovation? Also, one of the features of post-industrialism is the internationalization of markets and business locations.

Cities as Consumer Goods

Prud'homme pointed out that cities are not merely an intermediate good in the production process. They also exist as a consumption good. In this sense they differ, as institutions, from the family or the business corporation. They are necessary to the functioning and productivity of the economy. One might hypothesize that the decline in productivity is related to the decline of cities, but they are also an important consumption item. This is a function of their physical structure, and it means a great deal to "gross national happiness." Prud'homme noted:

> We live in cities. We like them or we don't like them. . . . Because they are an unmarketed good and do not appear in the Gross National Product does not mean that they are unimportant to the "gross national happiness."

The Changing City

There was general agreement among the participants that the nature and functions of the city are changing. This in itself leads to an impermanence in urban policy as local and national officials change their perceptions of what needs to be done. Just looking at the attempts to manipulate the urban effects of national tax policies on housing illustrates this point. National tax abatement policies initially fostered the development of new homes over the rehabilitation of older homes in West German cities. After much lobbying by mayors, the policy was changed to include rehabilitation. Soon, 50 percent of all investment in housing was for renewal. This led to a problem in displacement of residents of renovated

it is not always possible to determine the likely consequences of various programs. Part of the task is to avoid programs one knows are unlikely to work and likely to waste money. It is important to have not just a single policy but also a set of tools available for use.

One feature of cities that is apparent worldwide is that they are reducing their densities. Policies that try to reverse this tendency are not likely to succeed. The energy shortage will not bring about higher densities. There may be new, smaller centers. This change in the physical form of cities will affect how they perform their functions with respect to industries and economic sectors. Jobs will migrate to these new centers. This may make a focus on particular industries or sectors more useful than one on specific locations.

The international setting of this phenomenon is important. Hall characterized urban areas as going through stages of decentraliza- tion, the last of which is where the entire metropolitan area loses population and jobs--the economic base is going downhill and long-distance decentralization has set in. Only a few cities in Britain and the United States have reached this state. These conditions are produced in part by policy measures.

In many areas, Hall sees a new urban structure emerging that is policy sensitive. The elements of this structure are a strong downtown "fortress" city, surrounded by a gentrified city. Such structures are sprinkled with "jolly bits"--small activity centers like Harbor Place in Baltimore and Faneuil Hall in Boston. The whole is surrounded by a vast slum belt. Policy has not dealt with the decline of physical structure and the economic base. The new downtowns do not provide the right jobs in the right places. Job placement and mobility policies do not adequately address the unemployed middle-aged male and the young male minorities. In the cases of the worst afflicted metropolitan areas there remains the problem of what to do with the "basket cases."

Demographic changes also are important. The growth of one-person households generates a set of public values about the use of cities that is different from that held for the traditional family. Some countries will have a declining population, even though the number of households is increasing. On the other hand, new national priorities suggest that there will be less capital available for new housing than in the past. This may stimulate more

and reduce the tendency toward decentralization and lower densities.

The "basket cases" present particularly difficult problems for urban policy. The emerging U.S. policy, foreshadowed in the recommendations of the report of the President's Commission on an Agenda for the Eighties (U.S. Government Printing Office, 1980), seems to suggest that it is by no means obvious that it is necessary to "save" any city or region. The overriding concern seems to be for economic efficiency, not equity. Does this attitude represent a great waste of resources, particularly infrastructure? The answer seems to depend on the specific city. One participant suggested that the concept of depreciation should be applied to public infrastructure as it is to business investment. Under such an approach, some infrastructure should be allowed to "rot." That may not represent as much waste as would an attempt to prop up the industries or the area that it supports. On the other hand, it was pointed out that some industries and areas simply have to be supported, for political if not national defense or economic reasons. The Ruhr region of West Germany was cited as an example where policies were developed to help a declining industry and, incidentally, a declining region.

Interestingly, one of the features of the Ruhr policy was a "preventive" labor market program. A decline in the needed labor market was foreseen. Workers were warned and offered retraining. All were ready to take new jobs under a joint federal-state program. A more difficult problem was presented, however, in developing programs to retrain non-German workers. The government has proposed demonstration programs for specific cities that combine education for children and vocational training for parents. Despite the retraining programs, however, there is evidence that many people prefer to stay in their own regions. Also, several participants mentioned the severe difficulties of providing adequate labor market information to the lower levels of the work force. The British government is computerizing information on job availability to try to overcome some aspects of this problem.

Hall expressed some doubt that any nation could really have an overall urban policy. Sector policies may be easier to establish. He was more sanguine about the ability to establish a national "people" policy involving an income floor and education and training programs. An

that the actual initative to bring [illegible] largely local. The most the central government could do is to provide some funding for "deserving" programs.

Consultative Processes

The conference devoted substantial attention to the way in which policy is made in the countries represented. The West German system for consultation on urban policies is well developed and fairly formal. There are nationwide standing conferences of state ministers, who meet frequently to discuss common problems. The counterpart federal ministry attends as a guest of the state ministers and participates in discussions but not in the decision of the conference. There is, in effect, a system of continuous consultation between the national and state levels of the government. In addition, no decisions can be made by the Bundestag, the national parliament, that affect cities without consultation with the leagues of cities. The business associations and the trade unions also are consulted and represented in discussions of policy.

The French system is less formal. Essentially, it involves four mechanisms. First, a number of mayors, who are also members of the National Assembly, bring direct knowledge of urban issues to legislative discussions. Second, there is a general social desire in French politics for negotiation and compromise rather than conflict. Third, the role of the political parties is important. Party leaders can enforce substantial discipline on party members in positions of authority throughout the country. Reciprocally, there is a good deal more intraparty consultation within European parties than there is in the United States. Fourth, the French meritocracy provides a cadre of civil servants and business executives who have a common educational background and culture. It also provides a network of contacts and values that contributes to development of consensus. In this respect the French plan is not so much a document as it is a process of consultation and debate, from which a national consensus on economic policy can emerge.

All of the participants agreed that one of the big differences between American and European policy making is the role of the European bureaucracy in the making of policy. The bureaucracy is much stronger in Europe. A

same situation prevails in Japan. The political system, including cabinet ministers, pays the bureaucracy much higher deference. The result is much greater stability in policy.

The Roles of the Various Levels of Government in Urban Policy

Many allusions were made by the participants to the respective roles of the levels of government during the discussions of the changing philosophies of urban policy and whether to focus it on places, people, or sectors. The conference had to confront these issues directly when the U.S. administration's preliminary thinking on urban policy was described as one that focused on the national economy and faced two big problems.

1. The federal government cannot stop the basic economic and demographic changes that are under way, therefore, the Reagan administration was asking whether it should try to help manage the changes. This led to sorting out the roles and responsibilities of the different levels of government. The administration's view seemed to be that so long as people believed the national government would bail out distressed places, groups, or industries, state and local taxes would not be raised to cope with problems at those levels.
2. What can be done with or for the people who are left behind, who do not migrate, and who cannot participate in the labor market that follows the mainstream of economic growth and development? Many of the cities these people live in are losing jobs, and the new industries do not provide jobs that they can fill.

The administration expected to follow a hands-off approach with respect to cities, focusing instead on broad economic concerns and sorting out governmental responsibilities. The administration feels that anything else is less important.

This "sorting out" has revealed major variations in state and local fiscal capacities as the national government has backed off from its former roles. When one looks at the 10-year history of urban policy, three distinct images of that policy emerge, according to Ralph Widner. At the beginning of the decade, there was a search for

that it could affect the condition of cities. Now the administration is concerned that it cannot forecast either trends or policy consequences in a changing world and that it should, therefore, merely help cities adapt to conditions as they occur. But out of the experiences of the last 10 years, some participants saw two consensus elements: There should be some coherence to national policy, and adversely affected places should get some assistance in adapting so that they do not operate as a drag on the economy. This is, of course, far from a nationally designed policy to directly affect the distribution of people or economic activity in the country.

This analysis, said Widner, suggests that U.S. urban policy is always condemned to an incremental approach and that it cannot achieve a specific pattern of geographic distribution or development. This in turn presents a conundrum for policy makers: Emerging policy is formulated to change something that is happening, thus new policies must constantly be adopted to correct the unforeseen consequences of those that preceded them. Very little anticipatory action can be taken.

The debate over U.S. urban policy centers on how much concern, if any, there should be for the spatial consequences of broad economic policy. The administration tends to view places, i.e., states and localities, as mechanisms for delivery, not as targets or objects of policy in themselves. It fears that a bias of federal policy toward places involves a cost to the total GNP. Thus, the federal government should concentrate on the overall economy, with little reference to specific places. It will promote innovation and adaptation. State and local governments will provide the urban bias. In this context, the people who are left behind are an income problem--not a problem of "place." Anything more is a state responsibility.

Even those who do not accept this view agree with the concern that urban policy cannot encompass everything. They argue that any national economic policy will have uneven spatial consequences. The national government must, therefore, understand the consequences of its policies for urban areas. Otherwise, the government cannot manage its resources wisely or execute its policies. This view also holds that it is possible to foresee some of the major results of forces now at work. Clearly, a whole generation of the older manufacturing

represent enough investment that they cannot be abandoned. They need to be used for some new purpose. The federal government must be more sensitive to the consequences of the policies it adopts. It has a responsibility to look at the effect of every policy on places. It is a mistake, however, to think that every problem of adaptation has to be national. Much must spring from the ground--particularly leadership to solve problems. How much cities do on their own may well be a criterion for who gets help.

This discussion over the direction of American policy brought forth some telling observations from the Europeans. Several countries seem to have recognized that resources are uneven, but that local initiative is an important prerequisite for national assistance. The Netherlands requires a local plan before it provides renewal funds, for instance. It was suggested that municipal corporations on both sides of the Atlantic were increasingly required to act like entrepreneurs.

One main line of the administration argument--that change cannot be foreseen or predicted--was challenged. Prud'homme argued that it is possible to use policy instruments without knowing exactly where they will take you, only that the outcome should be affected. He pointed out that in some zones in France any investment will be subsidized by the central government. It is possible to have a policy based on more than preventing the worst. One can usually foresee the general direction of a trend or policy, even if the precise outcome remains unknown.

Several major differences between the U.S. and European systems became apparent in the discussion. In all the European countries, for example, welfare pavements have a national floor. Most of the continental governments assume central responsibility for retraining of the structurally unemployed. Oscarsson estimated that Sweden retrains over a million workers a year. An equivalent program (to train the same proportion of the labor force) in the United States would cost about $30 billion a year. The emphasis in Sweden is on retraining for jobs in a particular region. Another major difference is that, except for the United Kingdom, local governments do not depend heavily on property taxation for local revenues. Also, in Europe there is a strong central government equalization program, so that "poor" local governments are able to meet a basic national standard of service. In France, 40 percent of all local government

income is from block grants. Another 10 percent comes from specific investments in infrastructure. The most important form of aid, however, is in the direct administration of such services as education, health, police, and some roads by the central government.

Dawson pointed out that fiscal policies are at the core of urban policy. Most European countries place a higher emphasis on redistribution to poorer communities than does the United States. They assume that if a lot of assistance is spread evenly as a result of political pressure, explicit urban objectives are not being achieved.

On the question of allocating responsibilities, Prud'homme asserted that the idea that each function should be the responsibility of only one level of government is silly. He pointed out that in most cases several levels must be involved. Every level has a legitimate claim on each service. The issue, therefore, is not so much allocation of responsibility but of how to arrange and reconcile the conflicting interests of the different levels of government.

Pflaumer disagreed. In West Germany, the national government is forbidden by the constitution to assume responsibility for education, culture, or the universities. Federal and state governments, respectively, see to the elimination of fiscal inequities. He conceded, however, that the operation of the system of nationally organized parties and the standing conferences of state ministers are helpful in achieving common national interests, despite the variety of politics and laws among the states. West Germany also has a national system for redistribution of income and revenues. Local governments receive about a third of their revenues from local taxes, a third from redistribution of federal taxes, and a third from grant programs. State grant programs involve mixed financing. The federal government can help states solve fiscal problems, and it sees to it that there are no great fiscal disparities in the country. It also directly manages some programs that have great impact on urban areas--such as housing. Like the American states, the West German state governments recently urged the federal government to give some programs to them to manage, along with more points in the tax system. Today, however, some states seem less eager to assume full program responsibility.

In the Netherlands the central government is responsible for almost all the costs of the municipalities,

responsibility of the central government.

Canada offers a sharply contrasting alternative. All formal responsibility for urban affairs is in the provincial governments, and the federal government has no urban policy.

The final judgment on the question of the responsibilities of different levels of government appeared to be that modern society is too complex for responsibility to be clearly divided. All levels of government will always be affected. Although some national governments appear to have denied responsibility for urban affairs, or to be contemplating such a course, the challenge is to show that there is some joint responsibility with other levels of government. It will always be important to try to influence national policies to help metropolitan areas even though actual development must build on local initiative. The national responsibility should not be viewed as constant, however, for all time, for every place, for the same programs, or pursued with the same intensity. What seems to be needed is a set of tools to use in intervening where grave disparities among people exist, and there is no one else to do it. It is hard to see how anything good for the urban poor can occur without national government leadership, for instance.

Policies often must be tried, even though their success cannot be measured. The national government always has a responsibility to see that policies affecting urban areas are not in conflict. It also has a role in helping cities adapt to new conditions, but the actual initiative to "bring cities up" has to be largely local. Policies ought not be too complex, or be thought of as permanent, because there is a need to review them and decide anew whether they should be continued.

APPENDIX: TALKING PAPERS

he European participants in the conference prepared alking papers in response to questions posed by the ommittee on National Urban Policy. Those questions, the alking papers, and a summary of the major issues raised y the talking papers are presented in this appendix.

The European conference participants were asked to onsider the five questions below in preparing an outline f major points that the conference should consider. The apers were circulated to all participants and used in reparing the conference agenda. In addition to the apers of the participants, the papers of two invitees ho were unable to attend the conference, Mr. Anthony teen, M. P., of the United Kingdom, and Dr. Tokue hibata, of the Metro-urban Research Center in Tokyo, apan, are included.

QUESTIONS TO THE PARTICIPANTS

1. What are the principal changes and stresses ccurring in urban areas of your nation that are ssociated with the decline of manufacturing and the rowth of the service sector and related demographic, ultural, and technical developments?

2. What sort of regional development or industrial olicies has your government devised to respond to these hanges? Are the policies highly localized in applica- ion, or are they broad in scope? To what extent are hey related to each other and to overall national conomic growth strategies? Why were these particular olicies adopted? What results may fairly be attributed o them? To what extent may their successful or nsuccessful experience be generally applied to other conomically advanced nations?

from the private as well as the public sector, whether on a formal or informal basis (e.g., the role of industries, investor groups, trade unions, regional or local authorities, the academic or consulting community, as well as that of ministries, particularly committees or commissions, etc.)? Why those groups? What was the effect of their participation on the substance of policy or on subsequent public or private behavior?

4. What have the adopted policies achieved? Were those results intended or unintended when they were adopted? Could unintended consequences have been foreseen? If so, why weren't they? Have other policies, not designed or specifically intended to affect urban oncidions, been more significant than the policies intended to influence them? If so, why?

5. Given the condition of your national economy and the subeconomies of its urbanized regions, what would you advise your government to do to improve the transition of urban areas into the post-industrial age (assuming your government were to agree to do as you advise)? Which of your recommendations do you regard as generally applicable to economically advanced countries?

THE EUROPEAN EXPERIENCE

Peter Hall
(United Kingdom)

Introduction

This position paper addresses the national urban policy experience of a number of Western European countries, with special reference to Great Britain. It is supported by a number of background documents:

- A paper on recent trends in urban population in Europe, summarizing the results of a research project on this subject (Hall and Hay, 1980), as updated by further work on Eastern Europe.
- A chapter on regional and urban planning policies on the European mainland, unfortunately now slightly out of date (Hall, 1974).
- Extracts from a recent study of inner-city problems and policies in Great Britain (Hall, 1981).

strated quite different paths of industrialization and urbanization (Hall and Hay, 1980; extracted). Great Britain, Belgium, and the Netherlands could be termed mature industrial nations even by 1950. Most other European countries did not, however, fully deserve that title because at that time they still had substantial peasant agricultural populations. During the period 1950-1970 these countries experienced massive outflows of people from the farms and into the cities, which fueled a veritable industrial revolution--albeit, in many cases, a continuation of a process already evident before World War II. The result was rapid growth of urban areas and even, in several countries, of large urban areas. Furthermore, at least in the 1950s (and later in some countries), much of this flow went into central cities.

As a result, the urban experience of much of Europe was in important respects different from that of the United States. Large cities and their metropolitan areas grew. At least in the 1950s, centralization into central cities was the rule. The industrial heartland of Europe--the so-called golden triangle bounded by Birmingham, Dortmund, and Milan--burgeoned.

The exception was great Britain, which interestingly behaved in many ways like the United States. Here, central cities stagnated or declined, especially after 1961, while suburbs grew. By the 1970s the larger metropolitan areas were declining overall. Smaller, freestanding metropolitan areas in rural areas grew rapidly. (The 1981 British census shows the most rapidly growing counties in England and Wales to be Buckinghamshire, Northamptonshire, Cambridgeshire, Norfolk, Suffolk, West Sussex, Somerset, Cornwall, Shropshire, and Powys--all of which are rural or at least exurban counties). Much of the industrial heartland stagnated or declined, and here many contracting metropolitan areas were to be found.

Policy Responses

It is not surprising that the policy responses of different countries have also differed. In West Germany, Sweden, Italy, and France there has been a similar tendency to support the regional development of backward, lower-income peripheral regions (the so-called Zonal Border region of West Germany, plus the North Sea coast;

regions). In most cases this constituted at least an implicit urban policy, since regional development was to be achieved in large measure through the development of "growth poles" based on smaller or medium-sized cities. France developed a policy of "Equilibrium Metropolises": eight principal provincial cities, in the west, south, east, and industrial north, were selected in the 1960s to counterbalance the primacy of Paris.

As so often, Britain was a special case. Here, the main aim of regional policy was to divert growth not to thinly populated peripheral agrarian regions, but to older industrial cities in the north of England, south Wales, and central Scotland. This was to be accomplished by a combination of positive inducements to industrial location in the peripheral regions, with negative controls (the necessity to apply for an industrial development certificate) in the prosperous industrial regions of the Midlands and the southeast. Careful work by British regional economists suggests that during the period of industrial expansion in the 1960s, this policy was successful in establishing a substantial number of jobs in these regions. Overall it is possible that from 1945 onward some half million industrial jobs may have been thus created in the sense that without the policy they would not have been established in those places.

In several cases these policies had to be balanced against the objective of local decentralization within the leading metropolitan region. The most outstanding early example of this was London, which immediately after World War II established its green belt and new towns; subsequently, the green belt was extended in width, and three new towns were added to the original eight. Soon after, Stockholm began to develop its plan for satellite communities linked to the center of the city by a new subway system; this plan was virtually completed by the end of the 1970s, with completion of a large satellite complex on former military training grounds outside the city limits. London's new towns were designed as socially balanced and largely self-sufficient communities for living and working; Stockholm's suburbs were more in the nature of dormitories, with a planned ratio (not always achieved) of about one third of the resident population of a satellite town working there, one third commuting to work in the central business district, and one third working elsewhere.

eveloped an even more ambitious plan: eight (later educed to five) giant new city units would house an dditional 5 million people in the Paris region (later educed to 3 million or less). As in the Stockholm plan, nly part of the populations of these new units would ind work locally; others would commute, since all the atellite towns were to be linked to a new rapid transit ystem, giving rapid interconnection between the new ities and the historic core of Paris, as well as with ajor subcenters to be developed by reconstruction in the lder suburbs. This plan is at present being realized.

These plans all have common features. All were irected first at regional diversion of economic growth rom a growing metropolitan center to a stagnating or eclining periphery. All were directed secondly at local ecentralization of people (and, to varying extents, mployment) from inner to outer parts of the growing etropolitan region. The assumption in both cases was hat there was growth in the metropolitan center and that t could be reallocated.

Since 1970 this basic assumption has been rudely hattered by demographic and economic recession. This is erhaps most extreme in Great Britain, where southeast ngland, not long ago the country's most dynamic region, s experiencing a declining population. The problem is o longer how to foster the outward movement, but of how o stem it in order to regenerate a declining inner ondon economy. At the same time there is a need to egenerate inner Birmingham, Manchester, Liverpool, and lasgow--yet there is all too little mobile industry for his purpose. For the first time, therefore, regional/ rban policy finds itself on the horns of a dilemma.

Since 1977-1978 the British government has consciously ought to aid the process of inner-city regeneration. rban program grants have been increased, while new town unds have been cut and new town population targets have een reduced. The present government has made its own ontributions in the form of 11 enterprise zones and 2 nner-city development corporations (in the derelict ondon and Liverpool docklands). It is too early to say ow well all these initiatives are faring, though there s certainly no end so far to the outflow of people and he contraction of the employment base--much of which rises not from the outward movement of firms, but from he closure of inner-city plants.

suggested by Hall and Hay, 1980; extract) Britain is more advanced than any other European country in terms of urban decentralization. There is some recent evidence from the Netherlands of decline in the largest cities, coupled with a certain revision of Dutch urban policies to encourage regeneration; elsewhere the problem of urban decline does not appear to have surfaced as a serious policy question.

Conclusion

For much of the post-World War II period, European governments were concerned with diverting growth from metropolitan centers to stagnant rural (or older industrial) peripheries, and with local planned decentralization to new towns or satellites. It seems clear that in general these policies met with some degree of success. But the special circumstances of the period down to 1970 need stressing: This was an era of demographic and economic growth, there was much mobile industry willing to respond to incentives, and the local decentralization programs corresponded to both economic and social preferences (the preference of industry for new, efficient plants on greenfield sites; the preference of families for single-family homes or at least apartments close to open space). Regional and urban policies, thus, went with the trend; it was small wonder that they proved successful. In contrast, the British policies of inner urban regeneration, since 1977-1978, are contrary to the continuing strong tendencies of decentralization, and there is no positive evidence thus far that they are succeeding.

One reason for this is that they do not directly address the question of the job-creation process. The evidence from Britain, which confirms that from the United States, is that in inner cities many jobs are being destroyed but few are being created. This seems to be because inner cities have lost their historic seedbed function for new industry. Processes of industrial innovation have been ignored in British regional policy, though they are just beginning to be addressed; the enterprise zone policies of the Thatcher government may be seen as an attempt in this direction. Unless the problem is attacked, it seems likely that the process of industrial decline will continue until such time as it

AN ATLANTIC COMMUNITY PERSPECTIVE

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Some Characteristics of Urban Problems

sparities between cities with high income levels, high
ployment, fiscally healthy governments, and sound urban
rvices and those with severe social, economic, and
scal problems.

Diversity among sources of problems, change in inter-
tional trade and production, the local effects of social
d demographic change, the policies of local governments
emselves, the impact of national policies, or an inher-
ed obsolescent infrastructure and form.

The apparent intractability of many problems: fiscal
oblems, concentrations of high unemployment, persistent
gregation of social and income groups, worsening condi-
ons of public infrastructure, and the questionable
fectiveness of many policies and programs to cope with
oblems.

Some Policy Implications

sparities suggest the continued need for "safety net"
pe policies that seek to ensure minimum standards,
enities, and services to poor places or seek to achieve
eater equality among places. This raises the question
the balance to be struck between place-oriented types
programs and people-oriented programs with presumably
nilar ultimate objectives.

Diversity suggests the need for a decentralization of
ne policy and program responsibilities to ensure that
cal preferences and objectives are reflected in govern-
nt action, to best match resources to action, and to
ing responsibility and accountability closer to local
vernments. This raises questions about the responsive-
ss of local governments as political institutions and
eir performance in delivering public services and
oviding infrastructure. It also raises questions about
e most appropriate level to decentralize responsibility
: Should "metropolitan" governments be stronger?

intervention been exhausted? Is there further scop
reducing the jurisdictional and fiscal fragmentatio
systems of local government? Should economic polic
attention be drawn more to tax expenditures on mort
interest relief and the effects of rent controls?
are the best ways of increasing local government re
siveness to local needs and taxpayer tolerance? Is
not enormous potential for using new (information,
communications, monitoring) technology for improvin
efficiency and quality of life in cities.

Some Simultaneous Trends

The 1980s hold the prospect of a number of trends w
combined consequences will cause changes to urban p
and policies:

(i) A decrease in the public sector's share
gross national product, which would usua
mean relatively less resources for the u
programs of government.

(ii) Possibly no lessening of the belief that
government has a responsibility to solve
problems. (Items (i) and (ii) together
put pressure on the search for greater
efficiency in government and intensify t
debate about priorities.)

(iii) Disinvestment in "conventional" industry
occupations.

(iv) Increasing "social stress" in some citie
(Items (iii) and (iv) mean that policy a
expenditure decisions will be heavily
concerned with the trade-off between ecc
and social objectives.)

URBAN POLICY EXPERIENCE AND EMERGING PROBLEMS IN THE FEDERAL REPUBLIC OF GERMANY

Hans Pflaumer
(Federal Republic of Germany)

The constitutional framework of the Federal Republi
Germany gives the scope for the development and imp

nounced federal constitution and (2) a very strong
stitutional position of local authorities. Hence, it
uld be incorrect to speak of the existence of a national
an policy. There are, however, policies, legislation,
d programs that are directed toward specific problems
urban and other areas. Given the diversity of problems
different urban areas, it would also seem inadequate
develop a national urban policy. Generally speaking,
e basis for such policies are the cities themselves,
ch develop and implement policies with the help of
h higher levels of government (state and federal) and
e private sector.

1. In the past 20 years there has been a shift in the
io between jobs in manufacturing (3 percent decline)
d those in the service sector (10 percent increase from
percent to 49 percent). The decrease in the manufac-
ing sector was, however, only 600,000 jobs as compared
the increase of jobs in the service sector of 2.5
llion jobs in the last 10 years. As these overall
bers show, the decline in the manufacturing sector has
been dramatic; there are, however, local concentra-
ns as in the Ruhr area and the Saarland
raditionally, mining and steel).

The consequences of the principal changes in urban
eas can be sketched as follows:

- An increase of the service sector in the city center or in the core city of urban areas.
- A loss of inexpensive housing in the city center and surrounding residential areas (mostly late nineteenth and early twentieth century tenement housing), replaced by service sector, traffic installations, etc.
- A displacement of small and medium-sized enterprises (crafts, trade, manufacturing), which are pushed out of the inner city either by urban renewal (federal-state-communities programs: Urban Renewal Assistance Act) in general or replaced by the service sector.
- Outmigration of higher income groups due to demands of higher standards in housing (quality and space) and general living environment. The desire to build and own a single family house, which could not be realized in the city, gave that movement an additional push.

such as the unimportance of the property tax as a local tax base, because in the key used for the distribution of the community share of the income tax (15 percent) the higher incomes are cut off, which has a leveling effect. Furthermore, losses caused by outmigration are balanced to a great extent by fiscal equalizations by the federal government, states, and communities.

2. Basically, there are two types of policies and programs: one directed toward the promotion of private industry, the other consisting mainly of infrastructure programs directed toward the improvement of the structure of communities and industry.

Examples of Promotion of Private Industry

Promotion of Regional Economy (Regional Wirtschaftsforderung): A joint federal-state program with the primary objective to create, preserve, and modernize jobs by investment aids and tax abatements for private enterprises. These programs are directed toward regions and to cities only insofar as they are located in these regions. Initially, the program was aimed at rural areas, but it is interesting to see that the urban regions in the Ruhr area and the Saarland are increasingly becoming eligible for inclusion in the program. This indicates that urban areas are increasingly becoming problem areas.

Research and Development Policy (Forschungs-und-Technologiepolitik): Aimed at the modernization of the economy in general, improvement of its competitive situation by subsidies for investments of research institutions, and subsidies for R&D personnel. About 50 percent of the subsidies go to universities, which in West Germany are all public. Another 50 percent goes to

private industry for implementation-oriented research. The program is not localized, but in effect the money flows mainly to the urban areas because this is where the eligible institutions generally are located.

Program for the Promotion of the Labor Market (Arbeitsmarktpolitisches Programme): Introduced in 1979 by the national government with the objective of develop a preventive labor market policy to combat structural unemployment and to create and preserve permanent jobs. It is focused on regions with an unemployment rate above 6 percent. Again the Rurh area is emerging as the main problem region.

Infrastructure Programs and Grants

This is the area in which the bulk of the specific grants (and related tax abatement programs for individuals) are handed out by federal and state governments to the communities, such as urban renewal (Stadtebauforderung), housing, modernization of the existing housing stock, energy savings, and local traffic financing programs.

Between 1974 and 1980, the federal government has paid DM 22 billion for these programs, which is one third to one half of the total cost of the various programs, as states and communities provide the remainder to complement the federal share.

Having been launched at various times and addressing specific situations, these programs are only vaguely related to each other and frequently have unintended and partly counterproductive effects. Apart from the problematic constitutional aspects of these programs, the usefulness of the grants system in its present form and the possibilities for its restructuring are being discussed by the government. Block grants? Specific grants? No grants from the national government?

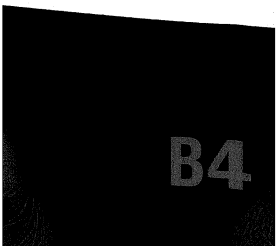
3. Since the loss of jobs is not a problem that affects cities more than other areas, there are no programs specifically aimed at providing more jobs in cities. As stated above, there are only economic development programs for the country as a whole and for individual regions where the economic situation is particularly serious. An example of a special regional program of this kind is the Ruhr Action Programme, which was set up in 1979 jointly by the national government and the government of North Rhine-Westphalia.

the figure fell to about 37 percent by 1979. The downturn in the economy caused by rising oil prices and the worsening steel crisis resulted in a serious situation again in the 1970s. The Ruhr Action Programme is designed to tackle these problems. The program contains a large number of assistance measures covering a variety of fields:

- Job security and education and professional training.
- Development and application of new technologies.
- Environmental protection.
- Ensuring energy supplies.
- Urban renewal and improvement of the neighborhood environment (an important part of the program involves the use of derelict mining and industrial sites for housing and for measures designed to improve the neighborhood environment).
- Cultural policies (promotion of theaters, museums, etc.).

4. The measures listed under Item 2 are not fully coordinated. In order to achieve that, a comprehensive planning system would be required that would probably collide with the federal structure of the country and any market economy. There were, some 10 years ago, attempts to establish such a system at the national level; these attempts have been abandoned. On the other hand, improvements of existing and/or new programs in terms of coordination seem possible.

One of the reasons why unintended consequences are only recognized ex post facto (if at all) is the excessive speed with which such programs regularly are launched. In politics the existence or the emerging of a problem is frequently denied or belittled until it becomes paramount; then a remedy has to be found immediately. In



high-quality, low density
hean wasting land, etc.) to a certain degree.
possibilities of influencing such trends are of a quali-
tative nature and, as such, may be efficient. However,
the somewhat simplistic call for "revitalizing the city"
bears in itself the danger of looking too much into the
past and not accepting the fact that the change of the
function and form of cities may be fundamentally slow.

Measures to aid decayed or depressed sections of cities must be framed and applied within the context of the city as a whole and of the country generally.

In the present situation, I would recommend that the West German government aim the incentives where they are most needed in the overall national economy. The economy at present is virtually suffocated by high interest rates. As long as this situation exists there is no hope for a change in the economic mood of the country and, hence, for new economic activities. In a market economy, however, the market itself is the fundamental generating force for all activities, including urban development (e.g., a low industrial investment rate, decreasing rate of investment in housing).

National information activities are required to help cities (and their mayors) understand their changing roles in the country. Shifts in local budgets are necessary—in West German cities, for instance, from schools to urban renewal. Cities must understand that while they are usually only too willing to accept grants and subsidies from higher levels of government, the responsibility for the city is theirs—a fact that is sometimes lost in the jungle of the subsidy world.

Nevertheless, there will and must always be areas of government intervention (space exploration, defense, or, in the Federal Republic of Germany, housing and new communication systems and energy supply concepts). However, the role of financial incentives is easily exaggerated, and eventually they become an end in themselves.

is an emerging problem. I would recommend that my government launch an integration program for these groups to be implemented and carried out by cities and the private sector. General educational and vocational training programs addressing especially the younger generation of foreigners are indispensible for a peaceful development of our cities. With the further and accelerating speed of technological change, unemployment will threaten social peace unless the labor force is flexible enough to respond to the ever-changing requirements of the labor market (foreigners here are at a distinct disadvantage). This can only be achieved through high-quality training on all levels. Such programs, however, will have to be medium or long term in duration to be effective.

Generally speaking, the urban process in the post-industrial age will only be satisfactory to the extent to which it includes the various groups of society in the overall economic, social, and cultural progress of the country.

RECONCILING URBAN, SECTORAL, AND MACROECONOMIC POLICIES

Remy Prud'homme
(France)

Structural changes associated with economic growth have been rather similar in all developed countries. Everywhere, the share of services increased relative to that of manufacturing, the share of government increased relative to that of the private sector, the share of capital increased relative to that of labor, and the share of women in the labor force increased relative to that of men. The urban impacts of such changes, however,

have been much less similar. It is true that in every developed country there has been a movement of people from the central cities to the suburbs and that large agglomerations have grown more slowly than small ones (or experienced declines). In Europe and Japan, both movements have been less marked than in the United States. There are at least three other differences.

The movement out of city centers has not, in many European towns, made city centers less attractive for residents. In such cities as Paris and Tokyo, city centers are the most desirable places to live, as is reflected in housing prices.

Migratory flows have not created, by themselves, local financial problems--contrary to what happens in the United States. Everywhere, local governments are hard pressed for money, but in most European countries and in Japan, such financial difficulties are not the result of migration. They are not more serious in central cities, for instance. This is related to the previous point and also to the fact that reliance on local taxation in the provision of local public services is not as great as in the United States.

The movement of manufacturing industries out of city centers has been less important and more controlled than in the United States. In France, and more strikingly in Japan, many new factories have been established on industrial sites that were more or less publicly provided. In other words, location has been decided by planning rather than by market mechanisms. In Japan, at least, the creation of large tracts of reclaimed land close to large cities has made it possible to construct particularly efficient factories.

All this suggests that structural changes, by themselves, do not automatically and entirely determine urban patterns. Policies can make differences.

The policies that matter are not only and not primarily "urban policies." Rather, they are macroeconomic or sectoral policies that have an impact on urban development. This idea is not new (particularly in the United States., where "urban impact analyses" have been made), but it needs emphasis.

In this context, housing construction plays a key role. The building of new houses is a major determinant of urban sprawl, which is at the root of many urban issues. Housing construction is not determined merely by "housing policies." In fact, expenditures on housing construction compete with three other types of expenditures: housing

income for owner-occupied houses in taxable income in many countries favors housing relative to nonhousing consumption. Tax exemption of interest paid on mortgages (which is allowed for the total interest paid in the United States and for part of it in France) favors expenditures on new housing as opposed to the other three types of expenditures. Property taxes, accelerated depreciation, etc., also influence choice. By and large, it would seem that taxation has in most countries favored new construction. But no one can be sure that this will or should be done in the years to come. Our economies might face (particularly in the field of energy) serious capital shortages, which would lead to a shift in expenditures from housing to productive investments and, within housing, from new construction to maintenance and renovation. This would tend to "freeze" actual urban patterns or at least to slow down the pace of change.

What is and what in turn will be the impact of urban patterns on the economy? Cities can and should be seen as factors of production: The output of a country is a function of the size, geographic distribution, and structure of its cities; but not much is known on this matter. In France, for instance, many people have stated that the concentration of people and activities in the Paris area was bad for the French economy, but this assertion has never been proven. The only point that was made was this overconcentration created inflationary pressures (market-induced wage increases in Paris are spread all over France by institutional mechanisms); but this point was shown by means of a model that is not entirely convincing, and it is not the entire story. There is some data, for several countries, that support the idea that the larger a city, the more productive it is: wages and incomes are a function of city size. One could hypothesize that large cities are still efficient production centers but that they have become poor consumption items.

It is not the viewpoint of production that matters, but rather that of consumption. We could produce equally well with any urban system the goods and services that are demanded by society; but urban systems are not merely production factors, they are also final goods, demanded for themselves by society. It is probably this dimension that will prevail in the years to come.

STRATEGIC THEMES FOR SECTORAL AND REGIONAL POLICIES

Gosta Oscarsson
(Sweden)

I make these remarks against a double background. I have 10 years of work at the ministerial level on regional policy in Sweden and for a few years have been chairman of the group within the Organization for Economic Cooperation and Development (OECD) that is responsible for regional development policies. In my remarks I concentrate on a few strategic themes.

1. First, some definitions, even if they are somewhat superficial. Urban policies can be divided into those dealing with the inner structure of urban areas and those concerned with the balance between urban areas and between those areas and the rest of the country. In Sweden and in many other OECD countries, urban questions of the latter type are dealt with within regional or subnational policies. Below I argue that a national spatial policy for the entire surface of the country is something that should be actively sought.

2. Urban/regional/spatial development is primarily created not by specific spatial policies but rather as the indirect consequence of various national policies (in some cases the absence of such policies). It is thus

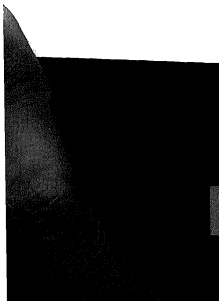
sectors can in the present situation no longer be accep-
ted. There is in many countries at present a movement o
costs from one part of the budget to another--the social
and manpower budgets are the main beneficiaries of this
traffic.

4. The last statement needs to be elaborated. In
modern welfare societies the state takes such a high lev
of responsibility toward the welfare of the individual
that failure to maintain employment in a region almost
automatically results in increased budgetary costs for
those policies where the buck has to stop. Failure to
take developmental measures in a region with a high rate
of unemployment will thus produce high costs in the soci
and manpower budgets. The system that we have is one
very similar to communicating vessels--jobs or incomes
must be created some way or another in the weak regions.

5. In such a situation it is difficult to see the
rationale for having two (or three) different spatial
policies each trying to coordinate national policies fro
their respective points of view. Coordinating sectors i
order to achieve a balanced spatial development is diffi
cult even without the additional complication of having
to cope with separate urban and regional aspects.

6. The necessary coordination should be done with a
background in systematic estimates of cost and effects o
different programs. A spatial coordination that can arg
its case in economic as well as social terms could take
central place in the budgetary process, and under such a
approach the spatial policies can offer solutions to
spatial imbalances at lower costs than the present
uncoordinated system.

7. Strong coordinating mechanisms at the central
level are unavoidable in a system where decision making
continues to be centralized and sectoralized. A decen-
tralization of decision making within different sectors
might work if it coupled with the creation of strong



spatial imbalances [illegible]
policies must be placed under a conscious [illegible]

THE POST-INDUSTRIAL CITY: PROBLEMS FOR THE NETHERLANDS

Dirk Hazelhoff
(The Netherlands)

Introduction

The extent to which one can speak of a post-industrial society and a post-industrial city differs from country to another and so, consequently, does national policy in this field. In the Netherlands there is some evidence that (national) policy toward a new economic structure is at present not quite favorable to ideas for development into a post-industrial society (and subsequently the place of a post-industrial city in that society still remains undefined). Of course, we in the Netherlands can distinguish developments that may be recognized as starting points for new and advanced technical and organizational systems and ways of life connected to these systems; some of these may be called post-industrial as that term is used by Daniel Bell, Peter Drucker, or Alvin Toffler.

On the other hand, however, it must be noticed that the policy of the Dutch (industrial managers, the trade unions, and the government) in their fight against the problems caused by current structural economic changes is not aimed at efforts to fit into the picture of the "third wave"; there is, on the contrary, a strong demand for measures of restimulation and even revitalization of the industrial spirit by promoting new--and newly located--forms of industrial productivity, together--it is true--with the application of new activities in the related service sector.

and in this context by the historical development of the Dutch economy in general and that of its manufacturing industries in particular. The geographical location of the country--in the North Sea area, where a number of estuaries of the very large river basins of the Scheldt, Maas, and Rhire are concentrated--has been favorable to international transport, trade, and other related services. Initially, the principal industries were shipbuilding and processing industries for the finishing of overseas products, especially from the (Dutch) East Indies. Later, these transport and trade activities shaped the substantial growth of the seaports of Rotterdam and Amsterdam and more recently they have contributed to the rise of large oil refineries and other industries.

Nevertheless, before World War II the Netherlands was not primarily an industrial nation. Compared with surrounding countries only a low percentage of the working people was engaged in industry (36 percent in 1930). Considerably more people worked in the service sector (43 percent). The industrial revolution came late in this country: it began modestly at the beginning of the nineteenth century.

After World War II, when the Dutch lost their rich and profitable colonies in the East, there was a strong need for industrialization in order to maintain and even raise the standard of living of the expanding population. Industrial production grew rapidly and with that the export of industrial products.

How the situation has changed since World War II can be illustrated as follows: in 1930 the percentage of the working people (in man-years) in industry was 36; in the 1960s this percentage grew to about 42 percent. In absolute numbers there was even an increase of about 50 percent during the same period--from approximately 1.2 million to roughly 1.8 million.

small population (14 million), offers only a limited market for the goods and services it produces. This means that to meet the conditions of a sound economy and to maintain a sufficient level of employment a large proportion of its goods must be exported.

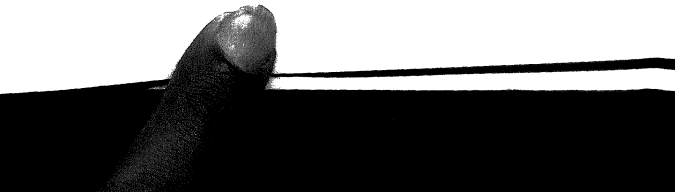
This applies especially to the greater part of goods, among them industrial products. In 1977 the export of goods was, despite considerable problems confronting the Dutch economy, 41 percent of the total production, which is much higher than in other industrial countries (e.g., United Kingdom, 24 percent; West Germany, 23 percent; Canada, 21 percent; France, 17 percent; and the United States, 6 percent). Compared with these countries it is beyond dispute that the Dutch have an extremely "open" economy, which means that export is of vital importance. Exports are the basis of the gross national product and of the prosperity that the Dutch enjoy.

It is this highly export-oriented economy that forms the deeper explanation of the fact that--to put it in other words--the Dutch are not inclined to put all their eggs in the basket of a post-industrial development. You cannot export services as easily and to the same degree as you can export goods. A post-industrial economy, where the production of services that you can hardly sell abroad replaces an industrial economy with good prospects of export, can only be seen as a disadvantage in the eyes of a country like the Netherlands.

The Questions

1. The changes in urban areas in the Netherlands should not be considered the result of post-industrial movements; they are more the result of the rapid rise of prosperity (motorization) in the 1950s and the 1960s that allowed the Dutch to respond to their increasingly uncomfortable feelings about the living conditions in their cities. During this period the population of the cities that had more than 100,000 inhabitants fell from 33 percent to 25 percent.

In this context it may be noted that the stresses occurring in the Dutch urban areas--particularly in the Big Randstad cities in the western part of the country--



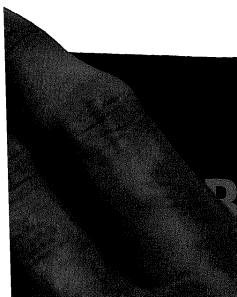
of the (big) cities been elaborated. This structure scheme is now under revision, and it can be expected that more attention will explicitly be given to the position of these cities.

Special mention must be made of a law that by means of a levy on investments, complemented by a permit system to open a new business, aims to keep economic activities fro regions where increasing congestion is considered harmful for the human environment. This Law of Selective Investment Regulation (SIR) is, albeit unintentional, not always favorable to the economic development in the Dutch urban areas.

3. It may be said that physical planning in a broad sense and urban planning in particular are a matter of public interest. In this respect the conditions in the Netherlands are not exceptional. In the Dutch situation, however, it is in the first place the government (national, regional, and local) and its agencies that are most involved in planning in the sense under discussion here. Investor groups, committees or commissions, etc., are supported to work more in their own sphere than in that of public interest, while the problem approach by universities is often of an intellectual and rather abstract character.

For the sake of completeness the report of the Scientific Council of Government Policy must be mentioned again, though it does not pay much attention to the problem of the cities under discussion here.

4. From the foregoing it can be concluded that in the absence of a generally accepted and coherent policy on the continued existence of Dutch industry, limited mentio can be made of results. The coming years must give more positive answers to the matters in question. In this connection it may be noticed that during the formation of the new Dutch government this summer, a group of Dutch industrialists published a report (under the chairmanship

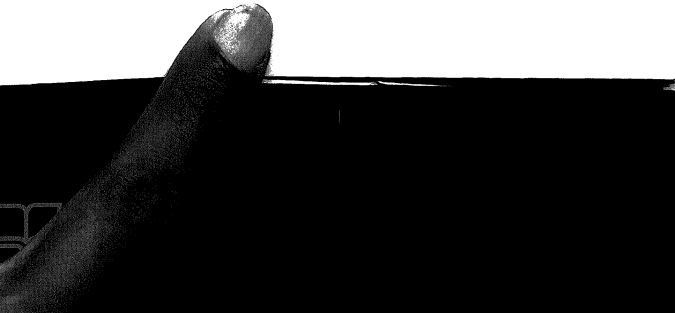


It sounds commonplace to argue that the Dutch must make an extra effort in maintaining their place among the industrialized nations. It also goes without saying that in doing so they must not loose sight of technological and organizational developments elsewhere in the world. Dutch industry must be alert not to weaken its competitive position; at least it must keep in step with the other Western countries.

In this respect it is remarkable that a multinational corporation like Philips missed the boat in acquiring an important position in the computer industry and must now make every possible effort to play a role in the world of microelectronics, one of the moving forces in a post-industrial society.

A subsidiary question that I can hardly answer is to what extent possible developments of a post-industrial age have special reference to the situation in the cities. One important aspect of this problem is to see that a sufficient level of employment can be maintained for the people who live in the cities. From this point of view it would be interesting to examine how development into a post-industrial city could be combined with a policy dealing with unemployment.

On the other hand, one can put the question of whether a policy of (full) employment still fits in a post-industrial age and thus in a post-industrial city. Such a question touches on views and attitudes toward the notion of "work." The situation in our society has been such that the performance of work determined a person's value in society. Our society is still entirely enveloped by the "ethos" of work. A person who for any reason does not work throughout his so-called productive years does not count. He feels like an outcast and is generally regarded as such. This work ethos, however, is not something inherent in man. It is tied up with time and place. In ancient Rome, for example, the word "otium,"



a negative connotion, viz "negotium." The conclusion that can be drawn from this is that if in the future not enough employment can be created, western man must get rid of the work ethos and find himself another ethos. This is only possible in a society where work is not the only redeeming feature, but in which work and production have become accepted routines. It will have to be a society with different values, with an ethos that will find expression in it, where the creativity inherent in man can come to full development in the spheres of culture, sports, recreation, and other forms of leisure-time activity. The question arises as to how a society of this kind should be brought about. It will be a laborious process, especially since in a "Calvinist" country such as the Netherlands, deep-rooted norms have been established in regard to the phenomenon called "work."

Conclusion

As is well known, one way to gain insight into future developments is that of scenarios writing. This method is frequently used in the social sciences, where they describe possible and/or desirable futures as well as the steps indicating how these futures can be reached with the aim of giving policy makers an idea of these futures, so that they can take the possibilities and/or desirabilities into account.

Under the sponsorship of the United Nations Economic Commission for Europe (ECE) a study is being carried out on long-term perspectives for development of human settlements. As an important part of this study a number of countries in the ECE region (Western and Eastern Europe, the United States, and Canada) have taken it upon themselves to develop scenarios that describe some alternative developments in human settlements, as far as these are affected by demographic, economic, sociological, technological, environmental, and other factors such as resources and energy. Methodological assistance is given by experts of the International Institute for Applied Systems Analysis. The Dutch delegation, together with Belgium and Luxemburg, is working on one or two Benelux scenarios. This team has opted for scenarios that are limited to urban areas. In this option there is a

the results. The ECE delegation of the United States has shown interest in this activity.

FAILURES IN BRITISH UBRAN POLICY

Anthony Steen
Member of Parliament, Liverpool, Watertree
(United Kingdom)

Neglect has not caused the problems of our cities. Successive British governments have wanted to show that they at least recognize that cities pose special political, social, and economic problems and that they care about them. So, they pumped huge sums of public money into the cities, most of which has been wasted. If anything, things have worsened. The fundamental problem hanging over the cities has to a large extent been created by the government, aggravated by increased levels of public aid that has interfered with the normal workings of city life and distorted the market forces operating there. This has driven people, investment, and enterprise from the major industrial areas.

The city planners were the initial culprits. After World War II they embarked upon wholesale clearance of the downtown neighborhoods believing that they could bulldoze away the problems--they couldn't. They even drew up structure plans area by area, believing that rigid planning zones and restrictive use of buildings would improve things--they didn't. Entrepreneurs disappeared as private initiatives were killed off.

People left not because they wished or chose to, but because the City Councils ordered them out and demanded their homes or factories, using their compulsory purchase powers to compel private landlords, owner-occupiers to abandon their rights to their property and so start the demolition process. Listed below are the numbers (and percentages) of people that four major British cities lost during the 10-year period of 1966-1976:

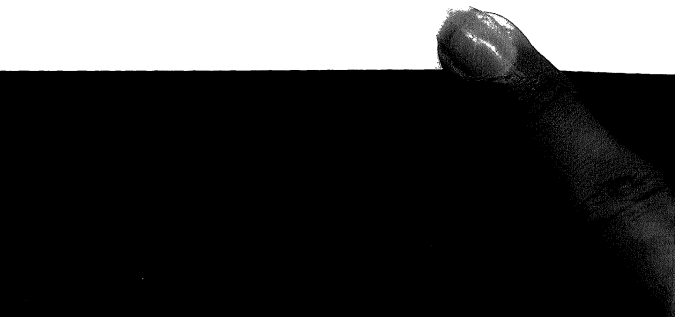
Birmingham	19,715
Manchester	29,265
Glasgow	53,396
Sheffield	21,776
Leeds	24,055

Nor has it stopped, despite what government ministers say. From 1975 to 1980, the following numbers of dwellings were demolished:

Liverpool	6,446
Birmingham	2,735
Manchester	9,854
Sheffield	11,130
Glasgow	17,497
Leeds	8,403

The laying waste of prime inner city land had a rippling effect--public authorities having to find money to rehouse those it had displaced. Liverpool has 48 percent of its housing stock in public ownership; Tower Hamlets in London, 88 percent.

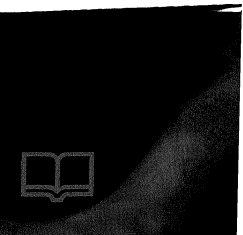
The building of vast new council housing estates on former agricultural land on the periphery of cities incurred further public expenditures. It was here that the growth took place. For as the value of land rose in the inner city and the cost of borrowing money escalated, councils were unable to rebuild once they had cleared the sites. A depleted tax base drove inner-city taxes sky high for those left behind. Scarcity caused business rents to spiral upward. Small family firms unable to continue under the effect of escalating costs escaped beyond the city boundaries. Others found difficulty in recruiting skilled laborers from an ever shrinking inner-city work force and had to close down. Between 1955 and 1970, 6,000 small firms abandoned the center of



serious consequences. Approximately 250,000 acres of land are currently vacant, derelict, and dormant in Britain's major cities. The majority of this land is in local authorities' ownership (guilty of extensive land hoarding) or belonging to nationalized industries, (rail, gas, water). Since the proceeds of the sale of publicly held land goes to offset the level of government aid paid out the following year, public-sector undertakings have no incentive to sell land. Central government funding distorts the picture in other ways. It offers grants and subsidies (as high as 75 percent) to areas designated with "special status," making them eligible for regional aid. These grants have encouraged industry to move to different parts of the country and build new factories, not in the inner city but on greenfield sites where land as well as installation or infrastructure are cheaper.

Distortion of the market forces is also caused by aid that switches jobs from inner to outer city. In Liverpool alone, 100,000 jobs have been created on industrial estates beyond the city boundaries with public-sector financing of around 10,000 pounds Sterling for each job created. In the 1960s and 1970s attempts to halt a rapidly deteriorating situation evoked a response by government that confirmed its mistaken diagnosis. It offered more public money and increased the levels of government intervention through the Urban Aid Programme, Community Development Projects, the Educational Priority Area Projects, the Neighbourhood Development Project schemes, and the Quality of Life Studies. All were concerned with the cities spending relatively small amounts of money over a wide range of projects or concentrating larger amounts of money in limited areas. In either case they failed to achieve very much.

In addition, there were the six town studies, the Urban Development Unit, the Comprehensive Community Programmes, the Government White Paper on the Inner Cities, and the



exclusive government finance. Whether the government can regenerate prime waterfront sites remains to be seen. As for the enterprise zones, these are located in areas that have been abandoned by private enterprise and are strewn with derelict factory buildings.

The lesson is that revitalization of Britain's cities will not come about until the government creates the freedom that will allow revitalization to happen. Until this message gets home, until the cities are freed of constraints, unnecessary controls, rules, and regulations, there is little future for private enterprise as the public bureaucracy grows to stranglehold proportions, and the people are locked out of the revitalization process.

JAPANESE NATIONAL POLICY AND URBAN GROWTH

Tokue Shibata
(Japan)

In Japan, especially in our major metropolitan areas, we still face the situation of modest or rapid growth of manufacturing.

Why and how has Japan enjoyed such a high rate of economic growth recently? It is a long story and may have to be explained by our several thousand years history, but my article, "Urbanization in Japan" might be helpful in understanding Japanese economic policy, independent of her urban policy.

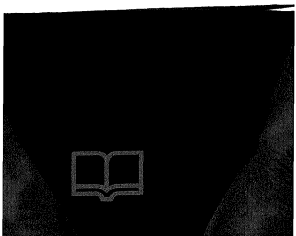
First, Japan places a special importance on a nation-wide, highly standardized education system. Thus, our industrialized metropolitan areas could enjoy an abundant supply of homogenized, well-educated labor power from our countryside (not from Puerto Rico or Mexico). These newcomers could easily adjust to a highly cultured urban

systems, etc. Also in Japan, local finance (state and local finance in U.S. terms, but in Japan its total amount is even larger than the central government budget) is under strong control, which provides a larger amount of strictly conditioned money (for grants-in-aid, revenue sharing, special bond issues) to the local governments. Thus, large numbers of local governments unanimously work for regional development and centralized industrial policies. Private banking money is generally not used for consumer credit but for improving the capital equipment of heavy industry. Central and local government money flows into strengthening the infrastructure or so-called industrial base--public facilities for expanded industrial activities. These investments are well coordinated nationally.

Third, in Japan we have a very strong bureaucracy. Unlike American private and state universities, ours are national and are financed by the central government. Tuition is low. They produce the executives who run big business as well as the government bureaucrats who later control the central government. Working together they accomplish efficient regional development policies.

My advice to the Japanese government is that Japan's rate of economic growth should be slowed, so that more money can be spent on improving the environment (citizens' housing, public parks, museums, etc.), especially in metropolitan areas. While with the Tokyo metropolitan government, my main concern was how to discourage business activities in Tokyo, how to make the air and water cleaner, and how to control automobile traffic, etc.

If we are concerned with ways of stimulating economic, industrial activities in other urban areas, I would recommend our crazy but highly sophisticated policy of education, the government lending policy, corporation tax system (with its too many tax deductible clauses), incredibly efficient mass transit system, local finance



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What have been the results of attempts? Would such efforts necessarily be inflationary?

7. Is "planned disinvestment" a politically realistic idea for any major city or its central government? Conversely, to what extent are policies that seek to arrest or reverse economic decline effective? What about "free market" approaches?

8. What is required of both macroeconomic and microeconomic policies to make central-city sites attractive for capital investment by productive sectors?

9. Where should "urban" investments (housing, infrastructure, education, etc.) fit into a national capital formation and investment strategy?

10. To what extent should local fiscal viability be a matter of concern for national economic policy?

11. What are the qualitative factors concerning cities that national policies should address?

12. What kind of urban settlements will be demanded as "final goods" by those who will use them?

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